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POLAND'S PAYMENT PROSPECTS IN 1983

Poland will be able to meet only a small fraction of its obligations to creditors this year. Warsaw's projected net hard currency earnings of slightly more than \$1 billion will only cover payments due to banks under the 1981 and 1982 rescheduling agreements. Additional payments would be possible if the West extended new credits or if Poland was able to run a larger hard currency current account surplus. [REDACTED]

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Hard Currency Receipts

The law of December 29, 1982 on the Balance-of-Payments for 1983 projects that Poland will earn a hard currency trade surplus of \$700 million and a surplus of \$340 million on services other than interest. This total of \$1.04 billion represents the money Poland can generate on its own for payments to creditors this year. The Poles also expect to receive \$800 million in credits which, if realized, would increase payments capacity to \$1.84 billion. [REDACTED]

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Polish data show a hard currency trade surplus of \$287 million in the first quarter, putting Warsaw ahead of its target. The data also show new medium- and long-term credits of \$145 million through March, down from \$249 million in fourth quarter 1982 and at a rate behind the plan for 1983. To this figure, however, should be added an estimated \$229 million in short-term credits drawn this year under the revolving credit facility of the 1982 rescheduling agreement with the banks. If

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the banks agree to a similar arrangement this year, the Poles could get another \$200-300 million in trade credits. In sum, Poland now appears to have a good chance of meeting its planned payments capacity, including that provided by creditors in the form of new loans. [REDACTED]

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#### Debt Service Due to Creditors

Warsaw's obligations to creditors in 1983 total an estimated \$16 billion, nearly half of which is owed to Paris Club creditors. Principal and interest unpaid from last year and due this year to the Paris Club are estimated at \$7.2 billion; another \$418 million in 1982 arrears and 1983 payments is due under the 1981 Paris Club rescheduling agreement. [REDACTED]

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Under original loan contracts, Poland this year owes Western banks \$1.3 billion in medium- and long-term principal, \$1.2 billion in short-term debt, and \$848 million in interest. Poland also owes more than \$646 million under the 1981 and 1982 bank rescheduling agreements. [REDACTED]

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Finally, an estimated \$2.8 billion in principal and interest is due this year to creditors that are not included in the Paris Club or the Western bank group. Obligations to this group could be much larger because presumably very little of the \$2.8 billion due them in 1982 was paid or rescheduled. [REDACTED]

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#### Payments Capacity

In the past two years Poland has succeeded in meeting its obligations under the 1981 and 1982 bank rescheduling

agreements. If Poland continues this pattern of payments, these obligations will absorb all of its projected payments capacity in 1983. The 1982 bank rescheduling agreement required that \$273 million in interest originally due in 1982 be paid in March, and interest due under the 1981 and 1982 bank agreements amounts to \$450 million. Another \$200 million in principal and other charges due under the 1982 bank agreement pushes the total above \$900 million, exhausting nearly all of the payments capacity of \$1.04 billion Warsaw projects it can earn. Additional payments available for creditors will be roughly equal to the amount of credits extended.

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POLAND: PAYMENTS DUE TO CREDITORS IN 1983  
(Million US\$)

<u>Total</u>	<u>\$16,030</u>
<u>Arrears from 1982</u>	<u>7,264</u>
On unrescheduled obligations	<u>7,046</u>
Paris Club	<u>4,200</u>
Banks	<u>0</u>
Other Creditors	<u>2,846</u>
On payments under rescheduling agreements	<u>218</u>
Paris Club-1981 agreement	<u>218</u>
<u>Under original loan contracts</u>	<u>7,920</u>
Paris Club	<u>2,970</u>
Principal	<u>-1,825</u>
Interest	<u>1,145</u>
Banks	<u>2,111</u>
Principal	<u>1,263</u>
Medium and long-term	<u>-1,263</u>
Short-term, net	<u>0</u>
Interest	<u>848</u>
Medium and long-term	<u>728</u>
Short-term	<u>120</u>
Other creditors	<u>2,839</u>
Principal	<u>2,286</u>
Interest	<u>553</u>
<u>Under rescheduling agreements</u>	<u>846</u>
1981 Paris Club agreement--interest	<u>200</u>
1981 bank agreement--interest	<u>228</u>
1982 bank agreement	<u>418</u>
Interest on rescheduled amounts	<u>222</u>
Deferred principal	<u>117</u>
Restructuring fee	<u>15</u>
Interest on overdue 1982 interest	<u>64</u>

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POLAND: PAYMENTS DUE TO CREDITORS

sent to State/Treasury

	<u>1982</u>	<u>Comment</u>	<u>1983</u>	<u>Comment</u>
<u>Total</u>	<u>11,533</u>		<u>16,030</u>	
<u>Arrears from Previous years</u>	<u>573</u>		<u>7,264</u>	
On unrescheduled obligations	<u>573</u>		<u>7,046</u>	
Paris Club	173	Reduced to \$65 million by October	4,200 <sup>3</sup>	Includes unpaid interest on 1981 Paris Club Agreement, plus obligations due last year on original loan contracts.
Banks	400	Interest from 1981, paid by March	0	
Other Creditors	--		2,846	
On Payments under rescheduling agreements	0		<u>218</u>	
Paris Club-1981 agreement			218	
Bank agreement			0	
<u>Under original loan contracts</u>	<u>10,190</u>		<u>7,920</u>	

POLAND: PAYMENTS DUE TO CREDITORS (cont'd)

Paris Club	<u>4,155</u>	Western governments have refused	<u>2,970</u>	
		to reschedule		
Principal	2,573		1,825 <sup>4</sup>	
Interest	1,582 <sup>3</sup>		1,145	
Banks	<u>3,189</u>		<u>2,111</u>	
Principal	<u>2,432</u>		<u>1,263</u>	
Medium- and long-term	2,340	95% rescheduled until 1986-89, 5% deferred until next year	1,263 <sup>4</sup>	
Short-term, net	92 <sup>1</sup>	Paid off during first half 1982.	0	Assumes that short debt will be rolled over, of which \$196 million extended in late 1982 under <del>provision of</del> interest recycling provision of the bank rescheduling agreement.
Interest	<u>757</u>		<u>848</u>	
Medium and long-term	577	Interest on unrescheduled medium and long-term debt due Jan-Aug, paid by end-year. Does not include 1981 interest paid in 1982.		

728 Includes \$273 million<sup>2</sup> deferred from 1982, paid  
by 20 March 1983, and \$455 million<sup>3</sup> due in 1983  
on unrescheduled debt.

Short-term	180 <sup>1</sup>	Paid in full.	120 <sup>3</sup>
Other creditors	<u>2,846</u>	Payments data indicate no payments were made.	<u>2,839</u>
Principal	<u>2,046</u>		<u>2,286<sup>4</sup></u>
Socialist	479		641
Arab central banks	94		27
Brazil	692		704
Argentina	51		61
Firms	522		614
Other	208		176
<u>Interest</u>	800 <sup>3</sup>		553 <sup>3</sup>
<u>Under rescheduling agreements</u>	<u>770</u>		<u>846</u>
1981 Paris Club agreement	<u>288</u>		200

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Interest	288	\$70 million paid. <sup>1</sup>	200 <sup>3</sup>
1981 bank agreement	<u>438</u>	Paid in full	<u>228</u>
Interest on rescheduled amounts (at LIBOR + 175 percentage points)	207	Payments are completed.	228 <sup>3</sup>
Deferred principal	102 <sup>1</sup>	Final payment made in November	
Rescheduling fee	29	Paid in March 1982	
Interest due Apr-Jan on rescheduled amounts	100 <sup>1</sup>	Paid when due on 10 May 1982.	
1982 bank agreement	<u>44</u>		<u>418</u>
Interest on rescheduled amounts (at LIBOR + 175)			222 <sup>3</sup> Payments current.
Deferred principal	--		117 Half is due 20 Aug., half on 20 Nov.
Restructuring fee	7	Due on signing	15 Due 15 April
"Gap interest" - interest on overdue 1982 interest	37	Due on 20 December	64 <sup>3</sup> Payments apparently made on schedule on 20 March and 15 April.